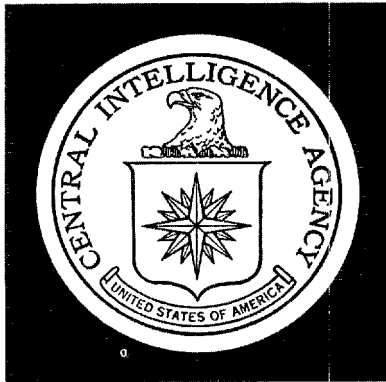


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State Department review completed

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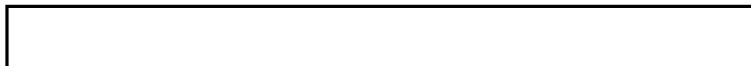
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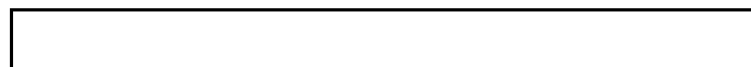
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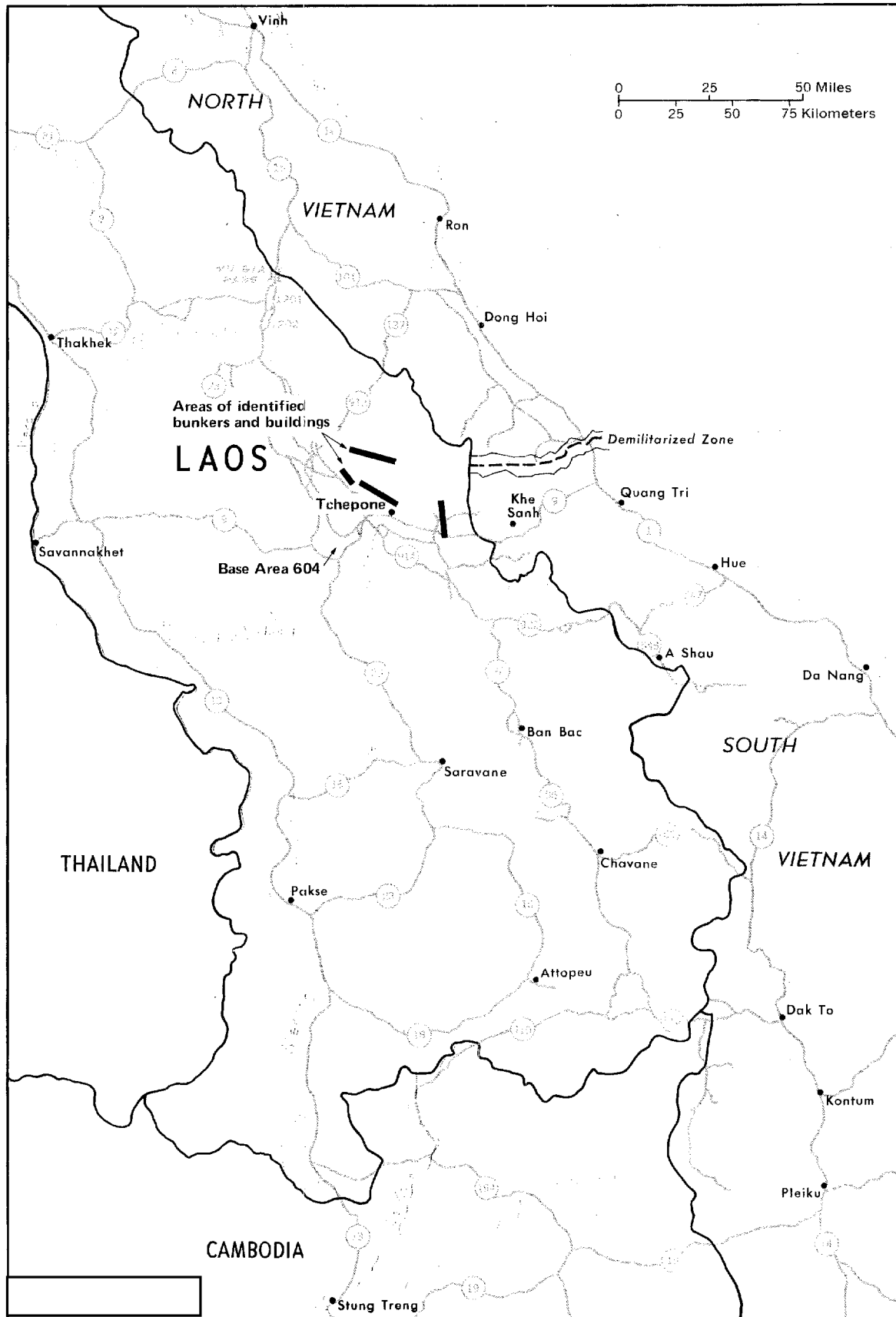
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[Vietnam: Hanoi still seems to be groping for an appropriate response to President Nixon's new peace initiatives.

The Communists clearly are off balance and chagrined at having their new ten-point proposal upstaged so rapidly. Their reactions so far suggest they will need more time before really coming to grips with the issues raised by the President.

The North Vietnamese and Liberation Front presentations at yesterday's session of the Paris talks clearly were holding actions and not intended as the definitive word on the US proposals. The Communists scored the concept of mutual troop withdrawals and the US call for self-determination, but refrained from rejecting President Nixon's package as a whole or taking up the issues he raised in any detail.

* * * *

Another surge of enemy offensive activity is expected in many parts of South Vietnam in the near future. Numerous reports have mentioned attacks in connection with Ho Chi Minh's birthday on 19 May. This round probably will follow the familiar pattern of widespread shellings and limited ground assaults which has characterized enemy activity in recent months. [REDACTED]

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[The magnitude of the Communist logistics effort in the Laos Panhandle is apparent in a large complex of bunkers and buildings in a 15-square-mile area about nine miles northeast of Tchepone. It is not clear how many of the facilities are new,

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[REDACTED]

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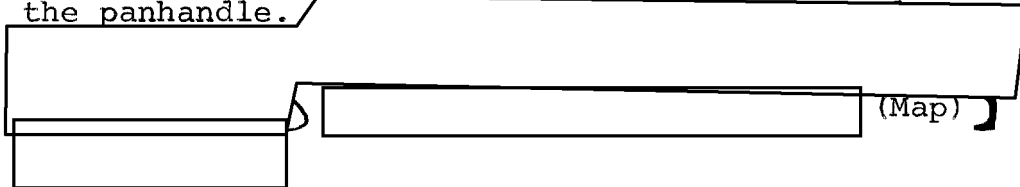
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[The complex probably is part of the enemy's Base Area 604, which is believed to be the most important of several Communist logistic centers in the panhandle.]

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Communist China: The regime does not appear to be embarking on major new policy initiatives in the wake of the ninth party congress.

Mammoth meetings are now being held in most provinces to "convey the spirit" of the congress to party activists. Speeches at these meetings generally repeat the ambiguous and rather opaque phraseology contained in Lin Piao's report to the congress. "Revolutionary" themes connected with the Cultural Revolution and more constructive themes calling for administrative rebuilding and attention to economic growth are bracketed together at these meetings.

Propaganda remains focused on the complicated and divisive problem of cadre "rehabilitation"--a subject that has wide-ranging implications for every political interest group within the regime. Most pronouncements on this subject have been moderate in tone, calling for "rehabilitation" of most officials criticized at the height of the Cultural Revolution and excoriating extreme "leftism."

Nevertheless, there are ambiguities in this area as well. Broadcasts from the important central China province of Hunan, for example, claim that "rightists" are taking advantage of the rehabilitation process to sabotage the decisions of the congress and negate the gains of the Cultural Revolution.

There are some indications that many important former officials are to be "rehabilitated" formally but excluded from positions of real authority. This formula, however, is unlikely to still complaints from both "revolutionaries" who object to the exoneration of former officials and those who wish to make full use of the expertise and administrative experience of the old-line cadres.

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Malaysia: Prime Minister Rahman's actions in the present crisis have widened the breach between the Malay and Chinese communities.

Rahman appears to have ruled out any effort to reach an accommodation with the leaders of the Chinese opposition parties. These parties have publicly appealed for an end to the violence but claim that the government has shown no interest in enlisting their assistance.

Rahman's continued public allegations that electoral gains by the opposition Chinese parties were the result of plans by "Communist terrorists" to seize power will make it more difficult to ease communal tensions. His apparent intention to place emergency administrative machinery under the exclusive control of Malays will also sharpen the fears and antagonism of the Chinese community.

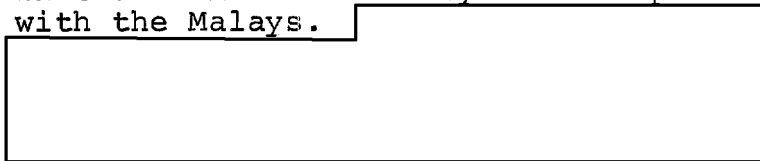
The new National Operations Council headed by Deputy Prime Minister Razak will control security forces and state operations councils. Rahman has stated that council members will be chosen for "absolute honesty, integrity, and loyalty," implying clearly that few Chinese will be included in these virtually all-powerful bodies.

Sarawak and Sabah remain quiet in the wake of the government announcement suspending incomplete elections there. There is, however, general sentiment, especially in Sarawak, that Kuala Lumpur has exploited rioting in West Malaysia to interfere in the democratic process in the two East Malaysia states. Opposition circles also tend to believe that Prime Minister Rahman and his Malay party are using the West Malaysia situation to intimidate both the Chinese community and the opposition generally there. Nevertheless, Sarawak leaders are trying to prevent any physical protest by their

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followers and are urging them to await clarification of the government's intentions. Kuala Lumpur's tactics have reduced the flexibility of moderates in Sarawak's opposition parties, however, and have dimmed hopes for a stable federal-state relationship in Sarawak, where a "state's rights" atmosphere has been strong since the formation of Malaysia.

It is unclear what role the Malaysian Chinese Association--the Chinese party in the Alliance, which yesterday announced it would rejoin the cabinet--will have in the emergency government. Its withdrawal on 13 May was one factor leading to the disorders. The association lost heavily in the elections on 10 May, however, and is largely discredited in the Chinese community for its past accommodations with the Malays.



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Israel-Egypt: Israel has warned that it will strike vital targets in Egypt if Cairo does not halt its harassments along the Suez Canal.)

Israel has asked the chief UN observer, General Bull, to tell the Egyptians that Israeli authorities at the highest level find the daily routine firing along the canal "no longer acceptable" and will now take steps to "correct it" if it is not halted. General Bull got the impression that the Israelis would use aircraft and would select targets which would seriously hurt Egypt.)

The Israelis, bunkered on the east bank, have suffered far less than the Egyptians in casualties and damage as a result of the exchanges. Israeli irritation is nevertheless growing. Minister of Defense Dayan publicly said on 12 May that the Israelis may be forced to switch from a defensive to an offensive posture if the Arabs keep up hostilities along the cease-fire lines. Referring to the Egyptian sector, he said that Israeli casualties in the last two and one-half months totaled 47, including 29 dead.)

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Czechoslovakia: The Prague leadership has taken additional steps to strengthen party control and establish conditions more acceptable to Moscow.

On 15 May the regime banned two prominent liberal publications, suspended three more, and forced the replacement of the editors of several others for failing to heed previously imposed press restrictions. Although these nonparty media have refrained recently from publishing blatant antiregime or anti-Soviet articles, they have continued to use veiled language and subtle cartoons to voice their dissent.

The Czechoslovak Government crackdown on non-party media follows a successful campaign to muzzle outspoken party publications. Other liberal publications, such as the Czech and Slovak youth dailies, Mlada Fronta and Smena, and the popular satirical review, Dikobraz, probably are next.

As another sop to Moscow, personnel in the Ministry of Interior's party committees were reshuffled in order to tighten control over the security and police apparatus. More shifts at the working level in the ministry may follow.

In return for such responsiveness to Soviet demands for "normalization," Husak may hope to extract new concessions from Moscow that will further strengthen his position, and afford him more elbow room in internal affairs. During the reportedly impending visit to Prague of Soviet Defense Minister Grechko and Deputy Premier Baibakov, Husak presumably will discuss the possibility of a Soviet troop withdrawal and a Russian hard currency loan. Husak may also bring up these topics if he and his colleagues go to Moscow before the Czechoslovak party plenum on 29 May.

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Bolivia-Czechoslovakia: Diplomatic and commercial relations were restored this week during a visit to La Paz by two Czechoslovak officials.

The agreement signed on 14 May provides for an exchange of ambassadors, negotiations for a technical cooperation agreement, and studies for possible economic and commercial cooperation. Czechoslovakia also agreed to provide assistance for Bolivian projects in metallurgy, agriculture, education, and public health.

President Barrientos had set up the visit before his death, but it was his intention that Bolivia get financial assistance before it established formal relations with Socialist countries. President Siles, however, has given greater emphasis to expanding Bolivia's diplomatic horizons. This move will be popular in Bolivia, although the hoped-for economic help may not materialize.

The Czechoslovak mission has been in Latin America since mid-April. It has also restored diplomatic relations with Venezuela and Ecuador and signed a commercial agreement with Peru, which had restored diplomatic relations in January.

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Rumania-USSR: The brief visit to Moscow yesterday of Rumanian leaders Ceausescu and Maurer appears to have been primarily intended to resolve remaining differences prior to the final preparatory meeting for the international Communist conference. The visit was described as "friendly," but the communiqué said there had been an "all-sided, frank exchange of opinions" on the world conference and made no mention of any meeting of minds. Bilateral issues and European security were also said to have been discussed, but these appear to have been secondary topics.

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NATO-Finland-Europe: Most NATO members are cool to the recent Finnish initiative on a European security conference. On 14 May in the North Atlantic Council there was general agreement--in line with the April ministerial decision--that the best approach toward resolving East-West differences was to try to identify concrete substantive issues for eventual negotiations. The three Scandinavians and Canada favored a more positive attitude toward the Finnish initiative, the Canadians cautioning that NATO should not be viewed as seeking to avoid a security conference. Both detente-minded Belgium and Italy, however, called for a more cautious response, the former citing the danger of welcoming an invitation to sit down with the Soviets without prior agreement that the US would be present.

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